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AMEMBASSY SANTIAGO  
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C O N F I D E N T I A L SECTION 01 OF 04 CARACAS 003816

E.O. 12958: DECL: 12/14/08  
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SUBJECT: CHAVEZ VICTORY LAP AROUND THE REGION

REF: (A) STATE 233224, (B) BRASILIA 4779, (C) BUENOS AIRES 6552,  
(D) BUENOS AIRES 6606

CLASSIFIED BY THOMAS A. SHANNON, POLITICAL COUNSELOR. REASON:  
1.5(D).

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SUMMARY  
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1. (U) PRESIDENT-ELECT HUGO CHAVEZ PAID POST ELECTION COURTESY CALLS ON ARGENTINE PRESIDENT CARLOS MENEM, CHILEAN PRESIDENT EDUARDO FREI, BRAZILIAN PRESIDENT HENRIQUE CARDOZO, AND COLOMBIAN PRESIDENT CARLOS PASTRANA DURING A DECEMBER 15-18 WHIRLWIND REGIONAL TOUR OF BRAZIL (REF B), ARGENTINA (REFS C AND D), AND COLOMBIA. DURING THE TRIP HE EMPHASIZED THE IMPORTANCE OF INTEGRATION, ANNOUNCED THAT VENEZUELA WOULD CONSIDER SEEKING ENTRY TO MERCOSUR INDEPENDENT OF ITS ANDEAN COMMUNITY PARTNERS IF ANDEAN PACT NEGOTIATIONS WITH MERCOSUR DID NOT SPEED UP, RESURRECTED THE IDEA OF CREATING A VENEZUELAN-BRAZILIAN BINATIONAL PETROLEUM COMPANY (LATER EXTENDING THE PROPOSAL TO COLOMBIA AS WELL), AND ANNOUNCED PRE-INAUGURATION PLANS TO VISIT THE UNITED STATES AND EUROPE TO ADVERTISE HIS GOVERNMENT'S OPENNESS TO INTERNATIONAL INVESTMENT. IN COLOMBIA, CHAVEZ URGED THE COLOMBIAN INSURGENTS TO DISARM, AND "OPEN THE ROAD TO PEACE." CHAVEZ' MERCOSUR REMARKS SPARKED CONTROVERSY AT HOME AND CONSTERNATION IN COLOMBIA. HE SOUGHT TO SMOOTH RUFFLED FEATHERS BY CASTING HIS REMARKS IN LIGHT OF THE IMPORTANCE OF REGIONAL INTEGRATION, BUT LEFT CLEAR THAT VENEZUELA WOULD NOT ALLOW ITS RELATIONSHIP WITH MERCOSUR TO BE HELD HOSTAGE BY ANDEAN PACT NEGOTIATIONS. END SUMMARY.

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MERCOSUR A "STRATEGIC OBJECTIVE"  
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13. (U) CHAVEZ BEGAN HIS TRIP ON DECEMBER 15 IN BRAZIL WHERE HE RAISED THE POSSIBILITY THAT VENEZUELA MIGHT UNILATERALLY SEEK TO JOIN MERCOSUR (REF B). MEETING WITH MENEM AND FREI IN BUENOS AIRES ON DECEMBER 16, CHAVEZ DECLARED VENEZUELA'S INCORPORATION INTO MERCOSUR AS A "STRATEGIC OBJECTIVE" THAT WILL "CONTRIBUTE TO DEEPENING THE PROCESS OF LATIN AMERICAN INTEGRATION" (REF C). THE PRESIDENT-ELECT PROPOSED THAT VENEZUELA'S INTEGRATION INTO MERCOSUR SHOULD OCCUR IN TWO PHASES, BEGINNING WITH AN AGREEMENT SIMILAR TO THAT OF CHILE'S, THEN MOVING FORWARD TO FULL INCORPORATION.

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MERCOSUR STATEMENTS PROVOKE CONCERN  
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14. (U) CHAVEZ' MERCOSUR COMMENTS IN ARGENTINA AND BRAZIL PROVOKED

STRONG NEGATIVE REACTION AMONG VARIOUS QUARTERS IN VENEZUELA. PUBLIC REACTIONS REFLECTED CONCERN THAT VENEZUELA WILL RENEGE ON ITS OBLIGATIONS AS A MEMBER OF THE ANDEAN COMMUNITY TO NEGOTIATE AS A UNIFIED GROUP A FREE TRADE AGREEMENT WITH MERCOSUR. FOREIGN MINISTER MIGUEL ANGEL BURELLI RIVAS--WHO SAID THE INTERNATIONAL PRESS MAY HAVE MISCOMMUNICATED CHAVEZ'S WORDS--SAID THE GOV HAS TREATY OBLIGATIONS WITH THE ANDEAN PACT WHICH IT CANNOT UNILATERALLY PUT ASIDE. HIS CRITICISMS WERE REPEATED BY OTHER VENEZUELAN LEADERS OF COMMERCE AND INDUSTRY WHO URGED THAT VENEZUELA REMAIN IN THE ANDEAN COMMUNITY, EVENTUALLY NEGOTIATING INTEGRATION WITH MERCOSUR AS A BLOC.

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SPECTRE OF ADJUDICATION AND SANCTIONS RAISED  
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15. (U) THE PRESIDENT OF VENEZUELA'S FOREIGN TRADE COUNCIL, SILVANO GELLEN, SPECULATED THAT VENEZUELA COULD BE BROUGHT BEFORE THE ANDEAN COURT OF JUSTICE BY THE ANDEAN COMMUNITY IF IT WERE TO ATTEMPT UNILATERALLY TO JOIN MERCOSUR. HE ALSO MENTIONED POSSIBLE SANCTIONS FOR VIOLATING THE AGREEMENT, INCLUDING THE IMPOSITION OF TARIFFS AND OTHER TRADE RESTRICTIONS. THE VENEZUELAN CHAMBER OF COMMERCE (CONSECOMERCIO), THE VENEZUELAN-COLOMBIAN ECONOMIC INTEGRATION COMMISSION, THE FEDERATION OF CHAMBERS OF COMMERCE (FEDECAMERAS), AND THE ASSOCIATION OF VENEZUELAN CHEMICAL AND PETROCHEMICAL INDUSTRIES ALSO ISSUED STATEMENTS CRITICAL OF CHAVEZ' DECLARATIONS ON MERCOSUR, AND STRONGLY SUPPORTED CONTINUED COOPERATION WITH THE ANDEAN COMMUNITY.

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REAFFIRMS ANDEAN PACT COMMITMENTS  
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16. (U) FOLLOWING THESE CRITICISMS, CHAVEZ SAID HE WAS NOT ADVOCATING THE VIOLATION OF AGREEMENTS PREVIOUSLY ARRIVED AT WITHIN THE ANDEAN COMMUNITY. HOWEVER, HE SAID THAT HE WOULD DO WHATEVER HE COULD TO ADVANCE THE INTEGRATION OF VENEZUELA AND THE OTHER MEMBERS OF THE ANDEAN COMMUNITY WITH MERCOSUR. THE PRESIDENT-ELECT ALSO COMMENTED THAT HE WOULD BE MAKING A TRIP TO THE UNITED STATES AND EUROPE PROBABLY BEFORE HIS FEBRUARY 2 INAUGURATION TO PERSUADE INVESTORS THAT HE WAS NOT A "BRUTAL EXTREMIST." HE ADDED THAT "INVESTORS FROM ANYWHERE IN THE WORLD ARE WELCOME," AND THAT HIS GOVERNMENT COULD USE THE INVESTMENTS TO REDUCE THE FISCAL DEFICIT AND HELP FINANCE THE CONSTRUCTION OF INFRASTRUCTURAL PROJECTS. CHAVEZ ALSO SAID HE WANTED TO FIND WAYS TO REDUCE VENEZUELA'S DEPENDENCE ON PETROLEUM EXPORTS BY STRENGTHENING THE AGRICULTURAL AND TOURISM SECTORS, AND BY DEVELOPING A PETRO-CHEMICAL INDUSTRY.

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BINATIONAL PETROLEUM COMPANY WITH BRAZIL  
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17. (U) PRESIDENT-ELECT CHAVEZ PROPOSED TO BRAZILIAN LEADERS THE CREATION OF A BINATIONAL PETROLEUM COMPANY, CALLED "PETROAMERICA." FOREIGN MINISTER BURELLI REACTED POSITIVELY TO THE IDEA, BUT UNDERScoreD THAT IT WAS NOT ORIGINAL, AND HAD BEEN PROPOSED AT THE 1994 SUMMIT OF THE AMERICAS IN MIAMI. BURELLI EXPRESSED HIS HOPE THAT IDEAS INITIATED DURING HIS TERM, LIKE THE BINATIONAL PETROLEUM COMPANY, WOULD BECOME REALITIES DURING THE NEXT ADMINISTRATION. CHAVEZ FURTHER SPOKE OF VENEZUELA'S POTENTIAL IN THE AREAS OF AGRICULTURE, LIVESTOCK, AND TOURISM, AND THE POSSIBILITY OF MUTUALLY DEVELOPING THEIR SHARED BORDER AREAS.

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RAPID ANDEAN INTEGRATION WITH MERCOSUR  
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18. (U) CHAVEZ TRAVELED TO COLOMBIA ON DECEMBER 17 AND 18 WHERE HE CONTINUED TO PUSH THE THEME OF REGIONAL INTEGRATION, URGING THE ACCELERATION OF AN ANDEAN COMMUNITY AGREEMENT WITH MERCOSUR. HE ADVISED A GROUP OF COLOMBIAN BUSINESSMEN THAT "WE CAN'T GET BOGGED DOWN IN TECHNICAL DISCUSSIONS WHILE THE WORLD ADVANCES." COLOMBIAN BUSINESS AND GOVERNMENT LEADERS--CONSCIOUS OF THE VULNERABILITY OF ANDEAN ECONOMIES IN RELATION TO THE MORE MATURE ECONOMIES OF ARGENTINA AND BRAZIL--GREETED CHAVEZ' EXHORTATIONS CAUTIOUSLY. IN AN EFFORT TO REASSURE COLOMBIAN INVESTORS, CHAVEZ GUARANTEED CLEAR RULES FOR INVESTMENT IN CONSTRUCTION, ENERGY AND TOURISM. HE ALSO PROPOSED THE INCLUSION OF THE COLOMBIAN PETROLEUM COMPANY,

ECOPETROL, INTO THE EVENTUAL ALLIANCE BETWEEN THE BRAZILIAN AND VENEZUELAN OIL CONCERNS.

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CALLS ON COLOMBIAN GUERRILLAS TO DISARM  
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¶9. (U) CHAVEZ ALSO ENGAGED THE ISSUE OF THE COLOMBIAN PEACE PROCESS, OFFERING HIS GOOD OFFICES TO FACILITATE THE PROCESS, BUT INSISTING THAT HE HAS NOT HAD DIRECT CONTACT WITH EITHER COLOMBIAN GUERRILLA GROUP. COLOMBIAN INSURGENTS PUBLICLY PASSED THEIR RESPECTS TO CHAVEZ, EXPRESSING THEIR SATISFACTION AT HIS ELECTION, AND CITING HIS VICTORY AS "AN EXAMPLE FOR ALL OF LATIN AMERICA." CHAVEZ RESPONDED THAT HE HAD RECEIVED THEIR PUBLIC MESSAGES WITH "GREAT SENTIMENT, RESPONSIBILITY AND UNITY," AND THAT HE WOULD LIKE TO RETURN THE SENTIMENT, "BUT CARRYING THE SIGN OF PEACE." HE URGED THE REBELS TO "DISARM AND HAVE THE COURAGE TO OPEN THE PATH OF PEACE." FINALLY, CHAVEZ CALLED FOR A PROFOUND DIALOGUE AND ANALYSIS OF THE SITUATION IN COLOMBIA, VENEZUELA, AND THE ENTIRE CONTINENT."

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STATEMENTS ON MERCOSUR CAUSE CONFUSION  
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¶10. (C) CHAVEZ' VARIOUS STATEMENTS REGARDING MERCOSUR CONFUSED GOV OFFICIALS. ECONOMIC COUNSELOR AND TRADE OFFICER MET DECEMBER 18 WITH MINISTRY OF INDUSTRY AND COMMERCE DIRECTOR OF INTERNAL ECONOMIC RELATIONS JOSE ANTONIO MARTINEZ. ECONOFFS ASKED IF CHAVEZ' COMMENTS IN BRAZIL INDICATED A "FOUR-PLUS-ONE" APPROACH TO VENEZUELA'S NEGOTIATIONS WITH MERCOSUR OR IF HIS COMMENTS IN COLOMBIA INDICATED A "FOUR-PLUS-FOUR" APPROACH. MARTINEZ SAID HE DID NOT KNOW SINCE CHAVEZ' STATEMENTS APPEARED TO DEPEND ON "WHAT COUNTRY HE IS IN." ECONOFFS THEN ASKED IF THE CHAVEZ TRADE TRANSITION TEAM LED BY MOVEMENT TOWARDS SOCIALISM (MAS) CONGRESSMAN GUSTAVO MARQUEZ INDICATED WHICH WAY CHAVEZ WAS LEANING. MARTINEZ AGAIN SAID HE DID NOT KNOW. "WE PROVIDE INFORMATION TO THEM," HE EXPLAINED, "BUT THEY DO NOT PROVIDE ANY INFORMATION BACK TO US."

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ADVOCATES MEMBERSHIP IN MULTIPLE COMMUNITIES  
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¶11. (C) CHAVEZ CLARIFIED HIS TRADE POLICY AT THE VENEZUELAN-AMERICAN CHAMBER OF COMMERCE (VENAMCHAM) GENERAL ASSEMBLY ON DECEMBER 19. HE STRESSED THAT HE WOULD SEEK VENEZUELA'S MEMBERSHIP IN MERCOSUR, SIMILAR TO THE MEMBERSHIP OF CHILE AND BOLIVIA, WHILE MAINTAINING VENEZUELA'S ANDEAN COMMUNITY COMMITMENTS. "IF BOLIVIA CAN BE A MEMBER OF MERCOSUR AND REMAIN PART OF THE ANDEAN COMMUNITY," HE ARGUED, "SO CAN VENEZUELA." HE CONTINUED, "IF VENEZUELA CAN BE A MEMBER OF THE G-3 AND REMAIN A MEMBER OF THE ANDEAN COMMUNITY," HE CONTINUED, "IT CAN ALSO BE A MEMBER OF MERCOSUR."

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PUSHED ANDEAN COMMUNITY TOWARD INTEGRATION  
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¶12. (U) SHORTLY AFTERWARDS, CHAVEZ PRACTICALLY ISSUED AN ULTIMATUM REGARDING NEGOTIATIONS BETWEEN THE ANDEAN PACT AND MERCOSUR. HE SAID IF TALKS TO ACHIEVE AGREEMENT BETWEEN THE TWO BLOCKS WERE NOT ACCELERATED, VENEZUELA WOULD TAKE THE SAME COURSE AS BOLIVIA AND JOIN MERCOSUR WHILE REMAINING A MEMBER OF THE ANDEAN COMMUNITY. CHAVEZ SAID VENEZUELA HAD A VISION WITH RESPECT TO THE GEOPOLITICAL ENVIRONMENT AND THE AGREEMENTS SIGNED WITH THE GROUP OF THREE (G-3), THE CARIBBEAN COMMUNITY COMMON MARKET (CARICOM), AND ANDEAN COMMUNITY. "WE WILL ACCELERATE THE INTEGRATION PROCESS, WHICH I HOPE WILL TAKE PLACE AS A BLOCK," CHAVEZ SAID, "BUT THERE ARE OTHER OPTIONS." HE NOTED, "SHOULD THE TALKS REMAIN DEADLOCKED, VENEZUELA WILL JOIN MERCOSUR WITHOUT LEAVING THE ANDEAN COMMUNITY."

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COMMENT  
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¶13. (C) THE PURPOSE OF CHAVEZ' TRIP WAS TWO-FOLD: EXTERNALLY TO ENGAGE IMMEDIATELY WITH KEY SOUTH AMERICAN COUNTRIES AND ALLAY FEARS RAISED BY CHAVEZ' PERSONAL HISTORY AND CAMPAIGN RHETORIC.

DOMESTICALLY, TO PORTRAY CHAVEZ AS A PRESIDENT-ELECT WELCOMED IN SOUTH AMERICA'S MAJOR CAPITALS AND FOCUSED ON THE MAJOR AGENDA ITEMS IN REGIONAL DIPLOMACY.

¶14. (C) WITH THE EXCEPTION OF CHAVEZ' COMMENTS ON MERCOSUR, THE TRIP WAS WITHOUT INCIDENT. FOREIGN MINISTRY OFFICIALS, WHOSE ROLE IN THE PLANNING AND EXECUTION OF THE TRIP WAS MINIMAL, WERE HAPPY THAT CHAVEZ SEEMED TO AGREE AND TO RATIFY CURRENT GOV POLICY TOWARD THE COUNTRIES VISITED. SOME COMPLAINED THAT HIS MERCOSUR COMMENTS HAD UNNECESSARILY UPSET COLOMBIA. HOWEVER, THEY NOTED THAT HE HAD MADE AN EFFORT DURING HIS VISIT TO BOGOTA TO SMOOTH WHATEVER FEATHERS HE HAD RUFFLED BY CASTING HIS MERCOSUR REMARKS IN LIGHT OF ONGOING REGIONAL ECONOMIC INTEGRATION.

¶15. (C) FROM OUR POINT OF VIEW, TWO ASPECTS OF THE TRIP WORTH NOTING ARE: FIRST, THE TRIP DEMONSTRATES THE IMPORTANCE CHAVEZ PLACES ON REGIONAL ISSUES, AND HIS RELATIONSHIP WITH OTHER COUNTRIES. HE IS CLEARLY EAGER TO BE ACCEPTED AS A MEMBER IN GOOD STANDING OF THE LATIN AMERICAN AND INTERNATIONAL COMMUNITIES. THIS INDICATES THAT HE WOULD THINK TWICE BEFORE ADOPTING POLICIES OR POLITICAL MEASURES AT HOME THAT MIGHT OFFEND HIS DEMOCRATIC NEIGHBORS. SECOND, CHAVEZ MADE CLEAR THAT HE WILL NOT ALLOW VENEZUELA'S RELATIONS WITH MERCOSUR TO BE HELD HOSTAGE BY ANDEAN PACT NEGOTIATIONS WHICH HAVE DRAGGED ON FOR THREE YEARS. HE HAS PUT HIS NEIGHBORS ON NOTICE THAT THE GOV WILL TAKE A MORE ASSERTIVE ROLE WITHIN THE ANDEAN PACT, AND IS PREPARED TO ACT UNILATERALLY TO MEET NATIONAL INTERESTS.

MASON